BULLETIN

MADRAS DEVELOPMENT SEMINAR SERIES

Vol. XX No. 2 February 1990

Leather Industry in Tamil Nadu

Some Stray Thoughts of Indian Dairy Development for the 90s

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EDITORIAL - SOME HIGHLIGHTS

I. General Economic Scene

State

Plan

The State Planning Commission met towards the end of December and reviewed and approved the Annual Plan for 1990-91. In the absence of the approved Eighth Plan — either for the country or the state — the procedure being followed was to prepare the Annual Plan for 1990-91, using existing guidelines, priorities and level of financial outlays. The proposal is to have a Plan for 1990-91 ranging from Rs. 1000 crores to Rs. 1400 crores – involving ARM of Rs. 400 crores. In this perspective, the greater part of the funds are for continuing projects or completion of existing projects leaving only some Rs. 25 crores for new projects. The finalisation of the Plan will be by the end of the year or in early January, when the 1990-91 budget preparation will have to start. There will also be the IX Finance Commission recommendation to be taken into account.

Climate and Prices

The month of December was cool and sunny. There were bouts of rain brought on by the troughs of low pressure persisting in the Bay of Bengal off Tamil Nadu. Under its impetus, the districts of Chengai-Anna, North and South Arcot and Thanjavur and the coastal districts received heavy spells of rain. Saidapet received 699 mm of rain, Madurantakam 490 mm, Poonamallee 440 mm, Trivellore 438 mm, Sirkali 61 mm, Manalmedu 37 mm, Mayiladuthurai 198 mm etc. This has helped both storage in the reservoirs and the farmers growing the samba crop and sugar cane. As a result Mettur was able to reduce its discharge of the dam level starting at 71 feet. In some areas like the main paddy belt of Udumalpet taluk, the rains have been detrimental to the ongoing paddy harvest. The combined storage of the 3 reservoirs at Red Hills, Poondi and Cholavaram increased by 300 mcft as a result of the rains. On prices in the state, CSO's monthly abstract for September reports that index number of

consumer prices for industrial workers shot up by a steep 55 points in June to 898 and declined by 40 points in July to 858 (no explanation is available for these wide and wild movements), the index number of consumer prices for agricultural labourers remained stationary at 705 and that for urban non manual workers moved up marginally by 3 points to 151 for Madras, 2 points to 145 for Coimbatore, 1 point to 147 for Madurai, 2 points to 143 for Salem, at 1 point to 147 for Tiruchirapalli.

Power

In the state in December, power supply was normal from December 20, the power cut on HT industries with a demand above 130 KVA was reduced to 20 per cent from 10 per cent. The demand cut on these industries will continue at 20 per cent to avoid unscheduled load shedding when there is and forced outrage of thermal or nuclear plants. Kalpakkam reports that its two units are generating at 75 per cent capacity, at 160 MW out of 235 MW capacity. The Tamil Nadu Electricity Board has revised the capacity of its proposed North Madras Thermal plant by installing 2 units of 500 MW each instead of the originally planned 210 MW. Similarly the proposed Cuddalore Thermal station will have 2 units of 500 MW each instead of MW — on the basis of the study of the comparative costs/ performance of the typical units. The Tamil Nadu Electricity Board reports that the gap between its revenue and expenditures is widening, the revenue is estimated at Rs. 1070 crores of which Rs. 900 crores are to be spent on fuel and power purchase. For the present, the power situation in the south has improved with the improved storage in Kerala and AP and a better contribution by the thermal plants, with the commissioning of third unit of 500 MW at Ramagundam and the 3 units of 210 MW each at Mettur. The comfortable Kerala power situation and the improved hydel reserves in Tamil Nadu have led to the relaxation of the power cut referred to earlier. But the states long trem power projects are bleak. The State Planning Commission estimates that despite ongoing projects and new proposals under consideration in the State and union sectors, there will be a gap between supply and demand between 1400 and 1800 MW at the end of the VIII Plan and 3328 MW at the end of the IX Plan. This would be so even if 2400 MW additional capacity by way of thermal and nuclear plants is set up. While the state has exhausted its hydel potential, its thermal plant suffer from poor quality and escalating costs of coal from AP, Bihar, Bengal and Orissa and the Kalpakkam experiment with nuclear power is not encouraging. There is a case for gas based power if the cauvery finds and west coast grid are available to it. Equally there are vast possibilities of cogeneration if the State Electricity Board can give an understanding of assured offtake and a remunerative price, which in its present financial state it is unable to do. Neyveli is the remaining viable option which should be resorted to, provided the users — both farmers and industrialists pay the real cost of generation.

For the country, the power situation in December was good. Not only has the power scenario in Kerala brightened, Karnataka reports producing more power, increasing from 7599 MU to 9254 MU, with the line losses falling from 22.79 per cent to 20.50 per cent. Andhra Pradesh however announces a high

power cut of 36-40 per cent for the non monsoon January-June 1990. The Union government reports that a total of 159, 415 billion units were generated in the country during April to November, 1989, which was a growth of 12.2 per cent. PLF went up from 52.3 per cent to 54 per cent. Thermal generation was 112.012 bu, hydel 4467 bu and nuclear 2766 bu. The west generated 52,108 bu, the north 50,605 bu, the south 38,33 bu, the east 14,589 bu and north east 1776 bu. A study on MHD power plants points out that not only do these plants avoid the green house effect, but they give over 20 per cent higher energy conversion compared to the best conventional conversion systems.

Water

The rise in the level of the city reservoir as a result of the December rains, was earlier referred to. On this basis, metro water states that it can maintain the alternate days supply till next year. The Mettur discharge which has been decreased was increased from mid December to help the standing paddy crop over 10.5 lakh acres which are near the flowering stage. The new AP government has assured the state that the Telugu Ganga will be completed on schedule. On the other hand, the government has requested the Union government to set up tribunal to settle the long standing cauvery disputes.

Transport

The Southern Railway reports a steep increase in suburban railway traffic — of around 5-10 per cent particularly on the Tambaram — Beach sector. It has impressed on the Railway Board the need to defreeze sanction for laying a broad gauge line beyond Madurai to reach Tuticorin. There has been some freezing of the project after the completion of the Karur-Dindigul Project with work progressing at a very slow pace on the parallel BG line from Dindigul to Madras. PTC reports a loss of Rs. 16 crores this year because of the increasing operating costs. This demands an increase in fares. The creation of an unified Transport Authority (uMTA) in corporating roads and rail services would help avoid road traffic congestion in the city. With the traffic bursting at the seams, ways and means have to be worked out to save the city from chaos and uMTA is one, along with rational pricing policies and stagging hours of work of educational institutions and government offices.

Urban Development

MMDA has offered tie up arrangements with private promoters in launching housing schemes for people in the low income category. This is part of the guided urban development scheme that it is operating, under which if a private promoter acquires 5 hectares of land, MMDA would request the state government to exempt it from the urban land ceiling so that the land could be used for building houses. Acting on a government direction, the Tamil Nadu Housing Board is resuming 200 plots which had been allotted for public purposes, but was being used irregularly for private construction. After a long delay during, the legal hurdles about clearing houses and shops have been settled, so that the St. Thomas Mount and Pazhavathangal subways can be built.

Paddy levy and Procurement

The government warns that unless traders fulfil their promise to contribute 50,000 tonnes of paddy (so far only 23,000 tonnes have been procured) which was made when the procurement levy on traders was reduced from 50 per cent to 30 per cent, the procurement levy will have to go up. The government announced that Tamil Nadu Civil Supplies Corporation had procured 1.17 lakh tonnes of paddy during the kuruvai. The Rs. 2.42 crore Velan river bridge is being built by TNSCC with a bank loan without government subsidy. Soon after mid December, the monopoly procurement of kuruvai paddy in the cauvery delta ended, with procurement for the long term samba paddy replacing it. The government has decided to procure 15 lakh tonnes of paddy during the ensuing samba season. For this, the civil corporation is opening 650 direct purchase centres in Thanjavur district. One of the first acts of the new Union government which took office in early December was to allot an additional 50,000 tonnes of rice to the state over and above the monthly quota of 40,000 tonnes. The open market prices of rice (common variety) has fallen from mid December by Rs. 1 a kg in the city — due to the stocks now held by the government. The government announces that it is planning to introduce the Kerala PDS model under which the family card holders can purchase essential commodities in bulk or instalments from fair price shops on any day of the week.

Disaster Plan

After the Bhopal gas tragedy, the concept of industrial safety has been widened through amendment of the Pollution Act, to include not only the safety and health of those working in factory, but also of the people living around the unit. Under the implementation of the National Major Accident Hazard Control System Project in the state, 6 hazardous factory areas have been identified and emergency plans prepared. The Testing and Safety Division, the Major Accident Hazard Control Cell and District Collectors are involved in the preparation of disaster plan for hazardous units. For this the Factory Inspectorate should be strengthened in the state and accepted as the friend and guide of the workers in the implementation of the campaign for safety and productivity in industry.

National

VIII Plan

In late December, the Chairman of the Planning Commission announced the restructuration of the commission with 11 members drawn from the academic and operational areas (compared to the previous 8). This also means that the preparation of the VIII Plan will be delayed and this opportunity of delay and restructuration should be used to a) place the Planning Commission on a statutory basis, b) restore to it, its rights and responsibilities, and c) ensure that every scheme is reviewed and approved by it and not announced without regard to it by the Prime Minister as was done during the VII Plan on gifts to city like Bombay, Jawahar Rozgar Yojana, Nehru Rozgar and the Indira scheme for women. Also now the time delay should be used to develop the VIII Plan on the basis of the priorities and methodology (decentralised planning) set forth in the election

manifesto. There has been talk of a Plan holiday because of the delay in formulating the VIII Plan, but this has been ruled out both by the government and the general all round consensus on it. Instead the 1990-91 Annual Plan is in the process of formulation, based on Janata Dal party election manifesto, status quo of investments and budget support to be thinned except in the case of the rural sector (agriculture), where there will be the start of redirection of investments. The union ministries and state governments are at work formulating the Annual Plan which will largely be a continuation of the 1989-90 plan except for the agricultural sector. The Deputy Chairman has announced that he is setting up an expert group composed of universities and academic institutions, individuals to be a think tank, act as a watch dog body and be a pool of talent. The Planning Commission's working group on public distribution has recommended a) different categories of card holders, b) only rural and urban poor be given subsidised foodgrain, all other paying the full price (which involves a dual pricing system) and c) on this basis a drastic reduction of food subsidies. The problem with this proposal is that the poor are so large in number and percentage that there may not be much real reduction in the subsidy, apart from the problem of identifying the real poor.

Prices

Inflation for the month November measured by the whole price index was again stationery at 167.6 for the week ending November 25. Inflation upto end of November was 6.4 per cent compared to 4.8 per cent during the similar period of the previous year. The rate of inflation on a point to point basis was 7.3 per cent during November end this year against 7 per cent in the same period last year. The November price rises was moderated by the fall in the prices of fruits and vegetables, pulses, soaps and detergents which compensated the sharp rise in the whole sale price of manufactures. But during the year the sharp increases in the prices of the common man's requirement caused them much hardship. Tea rose by 74 per cent, sugar by 14.2 per cent, textiles 14 per cent, cement 16 per cent and salt 17 per cent. The mounting inflationary pressure is traced essentially to the expansion of money supply. RBI report that M_3 increased by 1.6 per cent (Rs. 214.061 crores) during the first 8 months, between March 24 and November 3, compared to the 10 per cent increase in the corresponding period of 1988. This small difference of 116 per cent in increased M_3 hides the fact that its components varied widely — currency with the public rose by 13.2 per cent between March 24 and November 3, 1989 compared to 6 per cent of the previous year, demand deposits rose by 14.4 per cent against the previous year's 4.9 per cent. This increased liquidity of the M_3 components — of currency and demand deposits was the result of the increased bank credit to government. Of the total broad money of Rs. 22,226 crores during this period (March 24 — November 3), bank credit to government was Rs. 12,250 crores which meant that it increased by 11.6 per cent this year compared to 10.2 per cent last year. Against the RBI guideline that monetary growth for 1989-90 should not be more than 17 per cent, the money growth rate in the 8 months shows that the rate will be in excess of 18 per cent. This frustrates all anti-inflationary efforts.

Stock Exchange and Supplementary Demand

The Stock Exchange were not affected by the uncertainties involved in the general elections and the rise in share prices to the high of 419.7 on December 9 showed the investors confidence in themselves and the new government. RBI and the finance ministry have agreed to allow mutual funds to underwrite issues and to deploy short term funds in the money market, on which guidelines are to be issued. In the mean time executive directors and presidents of stock exchanges finalised in mid December the draft guidelines on good and bad delivery of shares. The President of the Bombay Stock Exchange and the chairman of UTI refer to the sound state of the economy and estimate that capital market will attract Rs. 10,000 crores from financial institutions, banks, mutual funds and the investing public during the coming year. In this connection, an interesting study by IDBI on the ownership pattern of shares and debentures of companies show that it remains unchanged at 30 per cent debentures being held by individuals, who also hold 36 per cent of shares followed by joint stock companies at 26 per cent and financial institutes (IDBI, ICICI, IFCI, TRBI) and investment institutions (LIC, GIC, UTI) at 20.6 per cent. The government introduced in late December the third batch of supplementary demands for 1989-90 for Rs. 830.35 crores comprising grants for defence service (Rs. 200 crores) (which incidentally neutralises the 1.5 per cent reducing in the defence item at the time of the budget persentation (See Vol XIX p163)), subsidy on fertilisers imports (Rs. 100 crores) and on indigenous fertiliser (Rs. 300 crores) and CCS on exports (Rs. 125 crores). There are other payments and surrenders in it. The effects on the budget deficit of the demand are not made clear.

Economy

There were three important pointers on the state of the economy in December. First, in his address to Parliment, the President called attention to the growing inflation followed by unbridled government expenditure and proliferation of black money. The resulting fiscal imbalance shows up in huge budget deficit, the staggering levels of deficit finance and severe strain on the balance of payments. Economic disparities had increased in recent years and so the immediate tasks are to curb inflation through checking wasteful expenditures and deficit financing, promote employment intensive development, implement the minimum needs programme to help the poor. Agriculture and agro industries, small industries and village crafts along with correction of the balance of payment deficit are to be undertaken. This is a very full agenda for this year. The second statement is the status report on the economy prepared by the Economic Advisory Council which was presented by the Prime Minister to Parliament which states that i) the economic growth rate for the current year will not exceed 4 per cent, as agricultural production cannot rise much above last year's record and industrial growth is decelerating at 3.8 per cent in the first 6 months of the year against which the service sectors growth rate will continue to be high and there will be some recovery in industrial growth : ii) the inflation at 6.2 per cent upto December has sent up prices of some goods like gur, khandasari, edible oils,

and tea ; iii) the balance of payments problem aggravated by certain macro economic policies such as the import policy and monetary growth and high debt repayment : iv) the external liabilities of the country are estimated at Rs. 83000 crores at March 1989 covering medium and long term debts and NRI deposits (short term liabilities are not included). Against this, it recalls the strong points of the economy which are the resilience of the economy against adverse weather, the buoyant investment climate and rapid growth in exports and proposes for urgent remediable action : i) curtailing population growth by increasing girls education, maternal and child health and women employment ; ii) providing gainful employment as essential part of development strategy, iii) aiming at a higher and less volatile rate of agricultural growth, diversified by crop and region, particularly in rainfed areas, iv) correcting and restructuring the pattern of industrial growth which will be necessary, the demand moving from consumer durable and high value non durables to the goods demanded by people as a result of the diversified pattern of agricultural growth and the rapidly generated employment — which will shift the pattern of growth to the production of essential wage goods, v) correcting external imbalances through the improved trade account and increased value added exports and vi) continuing/cutting back non productive service employment in public administration, non development expenditure particularly defence expenditure subsidies and rising interest burden and a closer look at some of the tax relief built into the system. The response of the government and Parliament to this sober realistic analysis of the economy and the prescription for its restructuring are awaited. A third event was the response of the Prime Minister to the debate on the resolution of vote of confidence in which he emphasised that our past tradition and justice has been to emphasise only economic development with equity. In a national seminar on the economy held here in Madras, the need for restraining the growing deficit financing and for structural changes in the economy including the countinuous erosion of the real investment in agriculture. The government has under review the question of granting greater autonomy to the RBI and the financial institutions so that the responsibility of RBI for credit and monetary management is not eroded and the financial institutions forced to favour certain companies favoured by the government. In view of the change in composition of the deposits of commercial banks and sharp increase in liquidity, a review of deposit rates is suggested. The country's gross and net savings rates have been falling from Fifth Plan when in 1978-79 it touched 23.2 per cent of GDP gross and 16.4 per cent of NNP net and declined in 1987-88 to 20.2 per cent gross and 11.1 per cent net. The major factor here has been the governments' dissaving and the fall in the savings of public sector enterprises. But the issue which is not discussed is not simply raising the level of savings but of redirecting the savings in channels which generate productive employment, and ensuing the productive use of savings. In a bid to check the mounting budgetary deficit the ministries have been asked to increase their savings so that they can meet their D. A. bills. Increasing attention is needed not only to keep down market borrowing but for the proper management of public debt. Borrowings should be used for policy

purposes, debt should not be used for non development expenditures of defence and subsidies. In addition to the reform and rationalising of the tax system, imports and population need to be checked while agriculture and exports and savings should be accelerated. Sickness in Financial Institutions is slowly coming to light. IDBI and ICICI have accumulated Rs. 2000 crores of bad debts because of sanction of loan by political pressures, the complete absence of appraisal and inadequate management. The politically favoured borrowers are Larsen and Toubro, Reliance, Essar etc. Farmers who are—by RBI for small debt over dues are watching this scenario and the results of the election. NABARD states that it is setting up District Technical groups to provide advisory services to all sectors in the district.

Industry

At the end of November, CSO published its quick estimate of industrial growth for August at 6.2 per cent and the average for the five months April-August at 3.8 per cent. The questions about the basis for these figures which CSO keeps changing were set forth in the last issue. They still remain unanswered. Two effects of the liberalisation policy which changed MRTP ceilings and eligiblity have been to leave many industries burdened with over capacity - such as two wheelers, man made fibres, computers, TV etc. and second to leave some areas in the hands of oligopolies, such as the skimmed and processed milk segment run by 4 producers, malted milk and baby food by 3, scooters dominated by Bajaj to the extent of 87 per cent of the market. The Department of Science & Technology has identified 6 thrust areas for promoting research in engineering — electricity and power, mechanical engineering, mining and mineral engineering, civil engineering, shipping and transport, chemical engineering and production engineering. Data banks have been set up and the aim of the research is to increase productivity. In a review of large firms in the private corporate sector, the Economic Times states that the top 101 large firms show a faster rate of growth in 1988-89 than in the previous year in total assets, net worth, net sales and gross profits. Against the negative growth rate of the previous year, in 1988-89 there were smart increases in the pre tax profits, profits after tax and ploughed back profits. The pattern of distribution of assets and net sales by class intervals shows that 27.0 per cent of the large companies held 55 per cent of the total assets and 36 per cent of the companies account for 65 per cent of the aggregate net sales. The large companies are led by Reliance, followed by TISCO. The Union government's expert committee has recommended that concessional rates of interest normally extended for modernisation and energy conservation schemes be withdrawn. Similarly interest concessions for investment in backward areas be withdrawn and in place the banks have offered to build up the infrastructure in those areas. The IDBI on the basis of a sample study of 401 companies assisted by it, reports an all round improvement in their operations in 1988-89 with improved capacity use, total income, value of output and dividend payment — reflecting the growth of the economy. The Telecomunication Commission reports that it is negotiating a $1 billion loan from IBRD for funding its component imports during the VIII Plan. The government reports that the National Textile

Corporation which has incurred an accumulated loss of Rs. 1640 crores is aiming to start in 1990-91 with zero loss, from the 50 per cent reduction in this year's loss at Rs. 120 crores. The loss is now down to Rs. 7 crores for September and as its uneconomic capacities are pruned and its capacity and production improved, particularly as with other organised sector units, it moves into the manufacture of sophisticated items, leaving the production of cloth needed by the mass of the people to the decentralised sector, its losses will further decline. One hard decision that has to be taken is the closure or amalgamation of 30 unviable mills which account for 75 per cent of NTC's losses.

IX Finance Commission

The Ninth Finance Commission report was submitted to the government on December 20 and is now under study. One of its members, Justice A.S Qureshi has submitted a 60 page dissenting note making a case for a permanent finance commission instead of one set up by President every 5 years.

Public Sector Enterprises

The Director General of Supplies and Disposals (DGS&D) is trying to bring in under the Directorate etc. purchase of the public sector units and its operations. At present each unit has its own purchasing unit, which makes the implementation of government policies somewhat different and makes it difficult for the unit to participate in the governments' purchase programme. Such unification under DGS & D will result in better prices and high quality standards.

National Production Front

Steel

As part of IISCO's modernisation programme with Japanese help, SAIL reports finalising a counter trade deal with 2 Japanese trading houses for export of finished steel after the modernisation programme is completed. TISCO reports that its modernisation is to be completed by 1993-94 involves an investment of Rs. 250 crores. The working group on the steel industry has recommended radical changes in the mode of executing major projects by awarding turnkey contracts for implementation of large projects to prevent time and cost over runs, which is a sound recommendation. The engineering industry reports that the shortage of a variety of steel items is leading to capacity under utilisation in the industry. The action should be to turn production around to use indigenous steel items and not to increase imports for which there is no foreign exchange. Steel items imports is high on the list of import cuts that has been recommended. The Vizag Steel Plant already behind schedule is to suffer a further delay as the 2 km tunnel which is to bring water from the Yeeleru River is not being executed because the state governments' contribution has not been made these many years.

Crude

ONGC reports in December of a significant gas find at the Kutch offshore in Bhiz in Gujarat. It is producing gas at the rate of 124.330 cubic metres. The Kutch basin is considered highly prospective with hydro carbon resources to the tune of 380 million metric tonne of oil and oil equivalent of gas. ONGC

is intensifying its exploration in the area. The government reported to Parliament that on the terminal year of the VIII Plan crude production will be 50 million tonnes and gas 40 million cubic meters.

Oil seeds and Sugar

On oil seeds and edible oils, the government estimates a record oil seed crop in 1989-90 (November to October) at 182.03 lakh tonnes against the 170 lakh tonnes crop in 1988-89. The government is also advised by its experts to import 4 lakh tonnes of edible oils during the current year, for maintaining the public distribution system (350,000 tonnes) and 50,000 for market intervention. At the end of December the government announced its decision to import 1 lakh tonnes. In 1988-89 India emerged as an exporter of oil seed extractions and with China's oil seeds production decline, the international market has hardened, sending up the price of rape seed oil cake from Rs. 1200 a tonne to Rs. 1600 a tonne, and so exports have already doubled this year. On the sugar front two developments may be noted. First, the 1988-89 (October to September) production is estimated at 87.5 lakh tonnes, which is 3.6 lakh tonnes lower than the production of the previous year and 12.5 lakh tonnes lower than the target. Hence stocks have fallen to a low 12.3 lakh tonnes. For the current year production ,estimates are similar and already imports are being talked about. In this case the government should firmly reject the plea for imports, help to keep gur and Khandasari price low, and allow the price of sugar whose major consumers are 5 star hotels to rise, so that they pay for the needed quality at the price. The prices which were at an all time high before the general election at over Rs. 1000 per quintal (Rs. 12-Rs. 14 a kg) has now declined to Rs. 700-710 a quintal because stocks have been unloaded by mills and traders. Towards December end prices began to rise again and this should be allowed, and even a system of dual price control should in time be abandoned, as the price of levy sugar also has to be raised.

Non ferrous

Hindustan zinc announced that it is taking over the Rajasthan State Tungsten Development Corporation from the Rajasthan government pursuant to the Union government committee's recommendation in order to cover the high cost of mining at Degana and Balda. A few issues on the take over have to be negotiated between HZL and the state government.

Cement and Cotton

The prevailing lack of investment in the cement industry suffering from over capacity and low demand will after 1993 suffer from lack of capacity to meet the demand. A study by RBI, ICICI shows that the demand which is at present around 73 per cent of installed capacity will face a severe shortage in 3-4 years as demand is increasing at 6-7 per cent a year. Hence it is important that industrial houses raise their priorities for investment in the cement industry. On the cotton front, due to the favourable monsoon, cotton production is expected to set a record at 116 lakh bales according to EICA. This is based on a state wide crop estimate, with which CCI and the Directorate of Cotton Development are in agreement.

Agricultural Production

In December farmers are busy with Rabi sowing and weeding and fertilising. Fertiliser consumption is expected to touch 11 million tonnes this year because of the good monsoon. This is particularly true in regard to nitrogen fertilisers, where there continues to be marketing problems even in the high user states of Punjab and Haryana. The problem has arisen because the carryover stocks are high, while output is also increased. The allocations under the Essential Commodities Act have left uncovered in kharif 1989, 40 per cent of total availability and in rabi 1989—90 25 per cent of the availability with manufactures which include stock plus production. This surplus situation does not apply to phosphatic fertiliser, where the supply is inadequate and 1.3 million tonnes is likely to be imported. There is another problem in the agricultural field and that is the National Front's election pledge to write off loans upto Rs. 10,000 for small farmers, artisans and rural poor. Some of the state governments going to the polls in March have tried to jump the gun and have announced the deletion of the debt, without looking at its means of financing. Who is to pay off the debt - the Banks or the Budget. The World Bank on the other hand has made the phasing out of concessional credit a condition for the $ 450 million loan to NABARD and a similar condition is likely to be imposed by IMF for the next borrowing. This kind of interference is undesirable, but without waiting for it, the government should decide how it will implement its election pledge. It should be met by raising the necessary direct taxes over a 2 year period. The Banks should not be made to pay the cost.

Foreign Trade and BOP

The Department of Commerce reports that during the first 7 months of 1989-90 exports have increased by 38 per cent (Rs. 14,636.70 crores) and in dollar terms by 17.4 per cent and imports have risen by 18.4 per cent (Rs. 18,430.30 crores) and in dollar terms 6.9 per cent. Hence during this 7 month period the trade deficit has declined by Rs. 1143.74 crores (23 per cent) from 4936.45 crores during April-October 1988 to Rs. 3793.71 crores during that period this year. In dollar terms the trade deficit decline was $ 1219.41 millions (34.4 per cent). What is not brought are that the rise in exports and slower import growth is due of the weakening of the rupee in the foreign exchange market. This is brought out in the fact that the decline in exports at 34.4 per cent in dollar terms is more pronounced than the 18.4 per cent in Rupee terms. This step by step devaluation of the Rupee has been absorbing a good portion of the value of incremental exports, while higher cost of imports has had a discouraging effect. However the trade gap this year will still be high at Rs. 6000 crores against last year Rs. 7412 crores. Since the continuing imbalance in foreign trade has brought about the big rise in external debt, the cost of imports should be prevented from rising fast, which the cheapening of the Rupee is helping. In addition imports should be pruned, and undisbursed aid (about $ 20 billion) should be speedily used. According to the government, the outstanding foreign debt on March 31, 1989 was Rs. 20525.94 crores and payment of interest in 1989-90 will be Rs. 516 crores. These do not include borrowings from multilateral institutions or external commercial borrowings. The World Bank reports that India's debt service ratio is a high

27 per cent at $ 451 billion, trebling from 8 per cent in 1980 to 27 per cent in 1988. The total long term debt increased from $ 25.6 billion in March 1988 to $ 44 billion in March 1989. If short term debt is added, the total will be $ 51.6 billion. On individual items, handicrafts exports rose by 41 per cent last year and the trend for the first 5 months at Rs. 368.58 crores shows a similar trend. Similarly textile exports have risen by 50 per cent in the 7 months, April — October to Rs. 32242.6 crores from last year Rs. 2160 crores. Engineering export incomes during April-September rose by 33.7 per cent at Rs. 845 crores. Spices exports are increasing and will be doubling to 1,50,000 by the end of the VIII Plan. Synthetic rayon textile exports will cross Rs. 500 crores during the current year at its present trend rate. For the current year 1989-90 exports are set to touch Rs. 30,000 crores, exceeding the target of Rs. 28,025 crores. Exports of cashew kernels rose by 33 per cent between January and September.

Aid and loans

The World Bank has sanctioned a loan of $165 million to support Punjab's $246 million irrigation project. ADB has sanctioned $129 million to modernise some of its surface transport projects. Austria is providing soft loan of Austrian Schilling 120 million (Rs. 15 crores) to India to import capital goods. Japan is extending a grant of 467 million yen (Rs. 5.5 crores) to reduce further the interest payment on concessional loans by the government of Japan.

International

World Trade

World output is at 14.3 per cent in 1988 and world trade at 8.5 per cent in 1988 and the forecast for 1989 is a slow down in both. Merchandise trade rose in 1988 by 14 per cent ($ 2880 billion). Service exports rose by 11 per cent. The international trading environment is characterised by rising protection, inflation, trade deficits and debts. In this connection, GATT points out that US trade actions will hurt world wide market reform. This is in reference to US trade Law passed last year (see Vol. XIX p596). It points out that US Super 301 has aroused a great deal of anxiety among US trading partners, particularly Japan, India and Brazil. This and the recent US action against EEC goods show "a lack of commitment on the part of the US to multilateral rules and procedures" the GATT report states.

World Poverty and World Aid

A Unicef report states that atleast half a million children have died in 1989 as a result of the foreign debt crisis and obligatory budget cuts in the developing countries. The crisis has increased the number living in poverty. It predicts that 80 million children will live in poverty in Latin America in 1990 and 31 million will suffer extreme poverty. DAC of OECD has in its report called on its members to improve their aid policies and strategy during the 90s. The vicious circle of underdevelopment — large population increase, under nutrition, illiteracy and environmental degradation, it states, cannot be overcome except through a series of integrated policies

providing sustained economic growth, widen peoples' participation in production and a more equitable distribution of its growth. Public development aid in the 90s must increase above the 3 per cent of the past 10 years. It predicts a real increase of 2 per cent in the coming decade.

World debt and world water problem

World Bank reports that in the total external debt of developing countries is $ 1290 billion in 1989, an increase of $ 6 billion over the 1988 debt. By the end of 1990, the debt of developing countries will reach $ 1319 billion — an increase of $ 29 billion over 1988. It commends the Brady Plan which is being applied to Mexico, Philippines and Costa Rica whose total debt is $ 135.7 billion. On the whole, the Brady Plan has not helped to reduce World debt. One of the Bank Vice Presidents is of the view that it is good for developing countries to have growing debt, because it shows that foreign investors have confidence in the country. The developing countries can do without this kind of confidence. South Asia has a collective debt of $ 91.9 billion, India's $ 57.51 billion. On the world water front, the water scarcity and crunch is zeroing in on our national economic world wide, the conventionally held perceptions of irrigation are being questioned, and expert opinion is fast switching away from mega sized dams, points out the World Watch Institute study. Underutilisation of the potential, time and cost overruns, environmental damage because of water logging and salinity and the woefully poor efficiency rate are the main factors held against such projects. The emphasis is on sustainability in water as the other development spheres and not its mindless exploitation. The study sees vast area — Northern China, Northern Africa, pockets of India and much of West Asia entering an era of water shortage. One third of the world's harvest comes from one sixth of world's irrigated crop land. But since late 1970 the annual rate of increase in the net irrigated area has fallen to 1 per cent, while population growth is about 2 per cent. Hence while efforts at containing population growth must be continued and be intensifed, there is imperative need for an innovative and diversified approach to watering crops, focussed on better management, maximising efficiency, levels of irrigation system, integrating water extraction plants with the overall development goals and improving the productivity of water. Smaller projects and simple water harvesting techniques should replace that, giant sized schemes. Delta management can reduce water drawals from canal systems in developing countries by 10 to 15 per cent, implying lesser cost for every additional unit of irrigated land. Above all the report carries the important message that water is a renewable resource only so long as the recycling process is not interfered with or damaged. This is important for all mankind, not only that part living in the developing world.

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II. Agricultural Development in Tamil Nadu

Paddy and other crops

Farmers report that the condition of their samba paddy crop in Thanjavur district and other districts is good. The rains in December have benefited the paddy crop grown by farmers over 10 lakh hectares in Thanjavur district. Similarly in Chingleput and South Arcot, farmers are using the rains to catch up

with their late start and are cultivating 20 lakh hectares out of 24 lakh hectares. Paddy farmers in North Arcot district depending on tanks and under ground water face a serious shortage of water, and so are cultivating only one lakh hectares. Farmers who raised the kuruvai crop report high yields at 4.3 tonnes per hectare compared to the normal 4.1 tonnes. They are extending this emphasis on increased per hectare yield to the samba paddy also. Under the special food programme, the pumpsets are being subsidised for Rs. 1 crore in 4 districts as also weedicides and seeds. In mid December, farmers were worried about the dry spell, but with Mettur water they were able to deal with this dryness. The government has fixed 60 lakh tonnes as the target for paddy production this year and a procurement target for paddy of 20 lakh tonnes of which 50 percent will be from Thanjavur district. Farmers in Tiruchirapalli district who depend on Mettur and irrigation tanks for their rain fed crops are satisfied with the water supply and the state of the paddy crop. Their kuruvai was very limited to one sixth of the area (4205 hectares out of 25000 hectares) which in part they recouped by the high yield of 5.2 tonnes a hectare. They report that the condition of the samba crop being grown over 75000 hectares is good. Out of the target rice production of 3.7 lakh tonnes, they have so far produced 2 lakh tonnes and with the coming samba harvest will exceed the target. Their tanks - both major irrigation and minor irrigation tanks to the extent of over 50 per cent had water adequate for 3 months and the others for shorter periods. Farmers using the subsidies available for the weaker sections have increased milk produce in the district to 75000 litres a day. Under the state government's Rs. 162 lakh scheme for construction of shallow tube wells and dug wells, the nine special foodgrain districts - Chengai - Anna, Vellore - Ambedkar, Tiruvannamalai - Sambuvarayan, Tiruchi, Pudukottai, Thanjavur Madurai, South Arcot and Tirunelveli - Kattabomman - find the scheme of particular help to small farmers who receive a subsidy of Rs. 3000 towards the cost of each well and to the marginal farmers who receive a higher subsidy of Rs. 4000 per well. Farmers in Coimbatore were able to take advantage of good rains and bring an additional 10,000 hectares under paddy, and a similar additional 10,000 hectares under millets, above average area covered by them growing sugarcane (13,500 hectares), and cotton (15,000 hectares). They report a record yield of 1.5 tonnes of maize per acre.

Research results

The December reports on research and demonstration are from UAS Bangalore on vegetative propogation of hybrid rice, following the example of the Chinese farmers in using hybrids for both increased production and stability, from the agricultural research station, Bhavanisagar on the use of spiders inhabiting rice ecosystems of which we have 86 species for pest control in rice, from Annamalai university on use of bio gas slurry, gypsum and sand as incubation material of wheat, from the Institute of Agricultural Science BHH on protection strategies against moisture in seeds and the right type of storage structure for stored paddy, from the US laboratories on the use of bio-herbicides to check weeds, from UAS Dharwad on the means of control of sclerohial rot of wheat, from UAS Bangalore on countering the gram

pod borer threat to pulses, from Kerala agricultural university on ratooning in single crop (paddy, pulses, ginger and vegetables) lands, from the regional research station, Karnataka on cocoa inter-cropping under area palm, from agricultural research station, Kovilpatti on countering sorghum pests, from agricultural research station, Vijayawada on agronomic practices which prevent death of young mango plants, from TNAU, Coimbatore on the importance of soil enzymes for increasing crop yield, from the Tamil Nadu Forest Plantation Corporation on the growth of acacia holosenicea, a leguminous tree, with high calorific value for afforesting waste lands, from the central sheep and wool research institute, Kodaikanal on the treatment and control of rabbit diseases, from a Kerala poultry farm on the benefits of broiler cage culture, from the college of veterinary and animal sciences, Trichur on means of control of infectious bovine rhinotracheilitus and its related postular vulinvaginitis, from UAS, Bangalore on means of maintaing low temperature and high humidity as a means of preserving fresh fruits and vegetables after harvest, from the IARI on the hybrid varieties of high yielding grapes developed by it, from TNAU on use of birds as useful predators of pests and insects of the mustard crop and from the agricultural college, Bapatla on the use of phosphorus as the backbone of fertiliser management for an intensive cropping system of rice.

Fishing

The Fisheries Department, the Nationalised Banks and fishermen at Seerkazi taluk in which the Tirumalaivaasi is situated are adopting the beach land craft designed under the Bay of Bengal craft project. This beach land craft will enable the fishermen to earn Rs. 30,000 in 15 fishing days. The craft has a greater carrying capacity, better endurance at sea, wide range of operation, better protection for the crew and good surf crossing ability. The motorised craft can be easily berthed like the katamarans. The cost of the craft is Rs. 1.8 lakhs, on which the government gives a 20 per cent subsidy and the owner pays 20 per cent. The rest will be a bank loan. Recognising the viability of the new craft, the banks have come forward to make the loan. For the 4.6 lakh fishermen in the state, there are 4000 mechanised boats, 20,000 katamarans and 6000 other craft. The income of those operating katamarans is low because of their limited range, leading to over exploitation of the small stretch of the sea within a distance of 5 to 8 kms from the shore line. The new craft now introduced can travel 30 kms and catch bigger fish.

Tea

The Indian Tea Association (ITA) estimates that the 1989-90 tea crop will be slightly lower than last year's 700 million kg. The shortfall brought about by the drought in the North has since been corrected. Despite the higher tea purchases by the USSR and the strong demand from traditional importers, ITA estimates that the 1989-90 export target of 240 million kg will not be attained. Exports will be Similar to the 1988-89 exports of 215 million kg. It points out that the recent pressures on the price line under scored the urgency to shape a production growth strategy, in view of the failure of the governments' effort to earmark degraded forest land for this purpose. It calls attention to the need to move somewhat vigorously on the R & D programme, where the progress to date has been tardy.

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III. Industrial Development in Tamil Nadu

Industrialisation in Tamil Nadu

The various concessions and incentives to promote industrialisation in the state announced from 1985 and intensified in 1988 (see vol XVIII p 320-21, 573-574 and Vol XIX pp 131-132) have not made much headway. New units, especially in steel, have faced rejection of their application for concessional power on the ground that only industrial undertakings established by new bodies would be eligible. TNEB points out that tariff concessions could not be extended to such existing units, where an internal accrual of funds went to make up assets of the new project as that would be transfer of assets from the existing unit to the new one. Industry, on the other hand contends, the term transfer of assets, should refer only to transfer of fixed assets, such as plant and machinery and TNEB is using a legal faction to frustrate the announced concession. The real reason for the delay is set forth by the industry secretary who states that the government is not able to meet industrial expectations, on various concessions and incentives announced because of the lack of resources. Most of the incentives and concessions were announced after the budget was prepared and presented to the legislature and so could not be provided for. The delay in implementing the promised incentives to entrepreneurs was due to the absence of financial allocation, which will be corrected in the next budget, he states. Knowing the true state of state's finance for 1990-91, this promise also will not be kept because of the extremely tight financial situation, and so if the private sector is to help to move into new industries, the state must pull out of a number of enterprises being run by TIDCO, TANSI and cooperative and use the funds so released in the first instance to build infrastructure in the backward areas which will attract the private sector. On the side of the banks, there is need for RBI and its regional office to remove the disparity in the interest rate charged by IDBI and the banks and the higher service charges on instruments. These two actions immediately will improve the industrial climate.

ONGC

The indications that the production of gas in the Cauvery Krishna-Godavari basins could rise to 7 million cubic metres a day by the end of the VIII Plan is good news for industry in the state and AP. Pipe lines are being laid to link gas bearing wells in each of the basins and some industries in both states have begun using gas from the pipeline. In the next plan, fertiliser and sponge iron plants will follow suit, but the demand for gas by the power starved southern region calls for bringing the western grid to the south. This would not only meet the urgent need of the south for power for fertiliser and other core units, but it would be one means of saving the Rs. 5000 crores of gas which has been wastefully flared over the last 5 years by the western oilfields for lack of users. There is no time to lose on building this pipeline from the west, as by 1994 the anticipated production of gas in the two basins will be 1,298,000 tonnes, while the demand at that time will be over two and a half

times the supply at 3,072,000 tonnes. If this demand is met, the South's dependence on fertiliser imports can be eliminated and many new industries and existing power starved industries will receive a new lease, through the laying of a 900 km pipeline for the transport of South Bassein and Bombay High Gas.

Growth Centres and Bajaj Electricals

The Union government has sanctioned 3 of the 6 industrial growth centres proposed by Tamil Nadu. They are to be located at Myladuthurai (Thanjavur district), Erode (Periyar district) and Gangaikondan (Tirunelveli). Each centre will have Rs. 30 crores invested in it and for each centre the state government has agreed to provide 2500 acres of land. Bajaj Electricals announces that it is planning to have a tie up with small scale units in the state for manufacturing some of the fast moving electrical items. This is one result of the lowering of sales tax and other levies by the government. Tamil Nadu is one of the largest markets for the company's products and by encouraging the manufacture of light fittings and some consumer appliances by small units in the state, it will help link the market and the supply source. The company plans to increase its turnover from Rs. 81 crores in 1986-87 to Rs. 110 crores this year.

SIMA and TANGLASS

SIMA reports that though the area under cotton cultivation is static in the south, through its cotton development R&D, it has increased cotton production from 500,000 bales in 1975 to 880,000 bales in 1984-85 in this state. Due to the drought, the annual production has varied between 650,000 — 700,000 bales. The Association is now concentrating on improving the seed farms and seed production centres around Udumalpet where breeding work on HYV cotton varieties and hybrids and research on control of cotton pests and diseases through biological and chemical methods are being carried on. Similarly an research laboratory in ginning and testing various types of gin and the technology suitable to Indian conditions are planned. At the SIPCOT industrial complex, Gummidipoondi a Rs. 7.40 crores fully automated glass plant for the manufacture of a wide variety of bottles has been set up. It produces 66 tonne of flint glass a day to meet the bottling needs of breweries, pharmaceutical and beverage manufacturers. The plant, the Tamil Nadu Glass works Ltd. will attain optimum production capacity by 1992.

Computers, Matches and Leather

The State Electronics Trade and Technology Development Corporation (ET&T) launched in early December its low cost personal computer (PC). Its target is to produce 2 lakh PCs by 1992. Plans are afoot to involve ELCOT in the manufacture of these PCs. The long Term Strategy Planning Committee of industrialisation meeting in mid December, with the Chief Minister as president, decided to request the Union government to restore the excise duty differentials between the hand made and machine made sector of the match industry to the level prevailing prior to March 1, 1989, as that is necessary to revive the cottage and small sector. The Union budget for 1989-90 reduced the excise differential in favour of the

machine made sector (see Vol XIX p214). This has adversely affected several thousands of tiny and cottage match units in the state and thousands of workers employed in them. In the leather industry, there has been striking success in the production and export areas as past issues of the Bulletin have highlighted. But the industry faces some serious lacks. One is the absence of marketing strategy, a second is the absence of direct exports by the industry which alone will give it a firm footing in the industrial market, a third is the lack of component manufacturing facilities. The industry has specialised in supplying shoe uppers instead of the full shoes. There is need for expansion of the final production. A fourth is the absence of a brand usage which reduces the prospects for expanding exports in a fiercely competitive global market. There is now agreement that the gaps must be filled which call for radical shifts in production, marketing strategies and promotion of brand names to claim a sizeable share of the international market. In order to raise the quality of footwear, the Council for Leather Exports plans to set up 350 mechanised footwear units which requires that the R & D facilities be used fully and speedily in the industry.

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IV. Education, Science and Health

Educational reforms

For this month the progress of educational reform as set forth in the Programme of Action of National Policy on Education 1986 has been slowed, because the new government has at the end of December not appointed the Education Minister. In its election manifesto it reaffirms the decision to increase its educational expenditure to 6 per cent of GNP, but also states that the National Policy on Education 1986 needs restructuring. This status may be good for higher education but could be a drag as far as primary and adult education is concerned. The state government announced permission for the first time for a +2 completer to appear in the examination again to improve the rank. The government informed Parliament that the drop out rate was a high 80.7 per cent for ST students, 67.8 per cent for SC students and 70 per cent for girls at standard VII compared to 64.3 per cent, 50.2 per cent and 51.9 per cent respectively generally at standard VII and 87.2 per cent for ST students, 79 per cent for SC students and 81.3 per cent for girls at standard V.

TV & Radio

The government has acted on its election pledge to make TV and radio autonomous. It has laid a bill granting autonomy to the two electronic media before Parliament. Meanwhile it has passed executive orders leaving the responsibility for choice of subjects, speakers and programming to the Director General and staff of TV and Radio, with instructions to the Department

not to interfere in their functioning. To ensure this the Director General of Doordarshan who tried to take a little objective and independent line and who was transferred out by the previous government has been brought back to the Department. Third, the Planning Commission has set up a working group on information and broadcasting, which is required inter-alia to examine the impact of the government policy to grant autonomy to AIR and Doordarshan on their VIII Plan and long term planning procedures. The group comprises 17 members headed by the Secretary, Ministry of Information and Broadcasting (just referred to) and as members Principal Information Officer, Director General AIR, Director General Doordarshan, representatives of the Department of the Electronics, Space and Technology and 5 non officials from the media field — Mr. G. Karnad, Mr. D. V. S. Raju, Mr. M. V. Desai, Mr. A. J. Kidwai and Mr. B. K. Karanjia. The group is to review the performance of the various programmes in the sector, both in physical and financial terms in the VII Plan and bring out the reasons for the short falls, to recommend physical programmes, schemes to be implemented in the VIII Plan, to indicate yearwise phasing of physical targets and financial outlay, estimate additional employment generation and methods and equipment needs to assess technologies trends in the sector and indicate a strategy for the introduction of new technologies, estimate internal resources generation, to estimate feasibility of setting up a Development, Communication Support System in the Ministry and to examine the impact of the policy of the decision to grant autonomy to AIR and Doordarshan on their VIII plan and long term planning. The group has been asked to submit its report by the last week of February 1990.

Technical education

The confusion over the capitation levying private engineering colleges which were examined by the state government committee headed by Dr. V. C. Kulandaiswamy, later by the High Court appointed Dr. Krishnaswamy Reddiar Committee and more recently by the AICTE Committee headed by Mr. Deenadayalan (see Vol XIX pp 419-541) Continues. All the 3 committees have found the Adtithanar Engineering College unviable but the managment has closed the college till January 2 so that the fate of the 200 students are in the limbo. AICTE has not yet acted on its committee's report. Second, the High Court has ruled that after the AICTE ACT was passed, only the AICTE has the power to recognise colleges and decide on their affiliation. There are 28 such private fees paying colleges in the state. 12 affiliated to Madras University, 6 to Bharathiar, 3 to Bharathidasan and 7 to Madurai Kamaraj. Now all universities are up in arms against the High Court judgement and are appealing to the Supreme Court on their powers of affiliation and recognition. As noted in the earlier issue, the courts should never have got into this educational area and so the present confusion has to be cleared by the Supreme Court.

Science

While there is uncertainty about the validity of cold nuclear fusion, thermo nuclear fussion is making progress towards becoming a source of cheap and unlimited energy. The JET project in

UK has demonstrated that a commercially viable fusion reactor may be realised by the turn of the century. There are 2 points to be checked — the confinement time and the fraction of the fusion power retained by the alpha and particularly Indian scientists are also working on them. The R & D centres of SAIL reports that it has completed 172 projects during 1988-89. The projects are grouped under key thrust areas — basic research, improvement in raw materials, energy conservation, improvement in productivity, development of new products and futuristic technologies. In the medical arena, attention is called to the neglect of R & D in tropical diseases such as ameliasis, intestinal worm infection, leprosy, tuberculosis and filiarisis. This is a responsibility of both the drug industry and government, which must be corrected.

Health

A study by the Foundation for Research in Community Health states that the current government expenditure on health in rural areas is Rs. 16 per person compared to Rs. 111 in urban areas. The study shows that the poorer classes spend several times less on health services, since they use government facilities and very often do not report illness. On the other hand, those who can afford it seek medical aid even for minor ailments and spend more on private treatment. Another finding in the rate of injection by government doctors is 10 patients in a hundred, whereas private doctors give injections to 84 per 100 which is due to the nexus between doctors and the drug industry. The World Bank 'at last' reports that life expectancy in India has gone up by 10 to 58 years since 1970. There is a fall in birth rate with birth per woman declining from 5.8 per cent in 1970 to 4.2 per cent in 1988. A national sample survey conducted in December 1988 shows that the birth rate in Tamil Nadu has come down from 23.7 per 1000 population in 1987 to 22.5 per 1000 in 1988, with the target to reduce it to 21 per 1000 by March 1991. Because of the cooperation between UPASI, the Family Planning Association of Coonoor and the government, the birth rate in the Nilgiris is the lowest in the state at 19 per 1000. While the state has brought down infant mortality from 120 per 1000 live births in 1981 to 76 per 1000 in 1987, and while the maternal mortality has fallen from 3 to 1.7 during the period and the couple protection rate increased from 28.9 per cent in 1981 to 52.5 per cent in 1987, the mean age of marriage has been stagnant at 26 years in 1981 and 26.1 years for men in 1987 and 20.2 and 20.7 years for women in that period. So the government has launched a vocational training programme for women enrolling them in the 18 to 20 years age group in the hope that the stipend during training and income earned when employed would lead to some income accruing to the family which will lead it to keep the girls at home a little longer before getting them married. SICCI has run a workshop for industries to spur them to take family welfare of their workers more seriously. The state government is establishing a cataract free zone programme in 4 districts - Madras, Chengai-Anna, Tiruchi and Madurai under which in the next 3 months, sight will be restorted to 28,000 people suffering from cataract.

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V. Employment and Labour Relations

The state government has decided to extend the coverage of IRDP beyond village panchayats to cover 628 town panchayats from 1990-91. Similarly it has decided to implement the Jawahar employment scheme without any distinction between village and town panchayats so that its benefits could accrue to the unemployed in both rural and urban areas. Work on 42,000 houses taken up under the scheme will be completed before Pongal. Special attention would be paid to maintenance of school buildings, with a separate scheme for repair of school buildings under panchayat unions. The Indian Labour Journal in its November 1989 issue deals with the problem and solution concerning the adaptation of young labour force to their work place. It concludes that the adaptation of young people to the world of work involves two aspects : a) one is the individual, and his changing and shifting needs, expectation, values and, beliefs : and b) the other is the organisation — a healthy and satisfying place to work, its members (supervisors and as workers), climate, reward systems etc. The interaction between the two — the individual and the organisation characteristics are important for effective adaptation process. Therefore a comprehensive system has to be developed taking into consideration the steps to positive adaptation such as vocational guidance, selection and placement programmes, work characteristics, role expectations, supervisors and co-workers, and organisational climate. Since work is central to the lives of workers, work has to be meaningful and challenging over the quality of work life, the work itself and the safe and healthy working conditions are important particularly to young workers, in particular for adaptation to the world of work.

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VI. Other Items

IIEP

The annual meeting of the Governing Board of the Interntional Institute of Educational Planning met in early December in Paris. It began with a meeting of the 4 working parties of the Board which reviewed the research programme of the institute and identified the areas of strength and weakness in them. The Board reviewed the report of the director on the activities of the Institute in 1989. It examined the budget of the Institute for 1990 in light of the General Conference of Unesco's decisions on the subvention to the Ins itute. It noted the generous voluntary contributions being made by some member states. It elected members to the 3 vacancies on the Board and decided on next year's meeting.

TN Council of S & T and University of Madras Nehru Centenary

There was a meeting of Tamil Nadu Council of Science and Technology special group which passed

in review the requests for travel grants for participating of Tamil Nadu scientists in internal and international science meetings and accepted some requests. It also examined the requests for assistance to science seminars and colloqium and laid down criteria for decision while approving a few. It passed in review a few research projects requesting grants which had been screened and laid down the procedures to be followed in this matter for future reviews. A meeting of the Madras University's Jawaharlal Nehru Centenary celebration was held in mid December when the aspect of Nehru as a humanist was commemorated. His concern for the poor rural people was recalled and the various rural programmes, under community development and rural extension, were passed in review. His contribution to the human development of the country and its people was emphasised.

TN literacy Jatha and Bharath Gyan Vigyan Jatha

Tamil Nadu preparation for launching the crusade against illiteracy was arranged at a meeting at the LLA building at the end of December when it was decided to meet in early January to plan the year long crusade which is to launched during the International Literacy Year (1990) to make the 42 lakh adult illiterate of Tamil Nadu literate by the end of the year. This was followed by an all India meeting of the coordinators and organisation of the Bharat Gyan Vigyan Jatha which is to campaign for literacy and put it on the national agenda and create a people's machinery to deliver it. It will mobilise 500 groups of educators, activists and artists, with each group conducting a 40 day jatha from October 2, 1989 to November 14, 1990, in the course of which 120 centres in each district will be reached. The 500 groups conducting 500 jathas will cover 60,000 centres in 5 lakh villages. This task is being organised by the Bharath Gyan Vigyan Samithis whose national committee met in Delhi at the above meeting to finalise plans.

RBI, CSD and Cochin Bharatya Vigya Bhavan

The quarterly meeting of the Board of Directors of the Reader's Digest was held at end of December in Orient House Bombay. The publications programme content was reviewed. Its growing profits were noted with interest and an interim dividend declared. The future rise of paper prices was noted which will affect RDI's functioning. The Annual meeting of the Council for Social Development was held in December end at its headquarters in Delhi. The Council reviewed the work of the council in 1988-89, particularly its research and study projects, each of which were reported briefly. Suggestions were made with regard to future priorities and future reporting. The revised budget for 1989-90 were discussed and approved. The Council also approved the budget for 1990-91 and the accompanying programme. At the end of December there was a meeting of the Cochin Kendra of Bharatya Vidya Bhavan at which the mutual relation between economics and culture were discussed. It was agreed that there should be closer interaction between the two — as that is one of the priorities for the Kendra.

First Article

A paper, Leather Industry, by ITCOT presented to the September 1989 workshop on perspectives for industrialisation in Tamil Nadu appears as the first article.

Second Article

A note, Some Stray Thoughts of Indian Dairy Development for the 90s, appears as the second article.

M I D S News

Dr. C. T. Kurien gave the Key Note Address on "Employment and Welfare Perspectives for the Eighth Five Year Plan" at the Sixth Annual Conference of the Mangalore Economic Association, Mangalore on 20th January.

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Dr. M. S. S. Pandian gave a seminar in Centre for Culture and Communication, Loyola College, Madras on 'Making of the MGR Myth' on 23rd January.

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Dr. S. Janakarajan attended a conference on "Data base relating to Agriculture and Irrigation in Tamil Nadu" organised by the State Planning Commission, Govt. of Tamil Nadu on 1st February.

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Dr. Nasir Tyabji participated in the seminar on *Historical Explanation in Sociology* organised by the Madras University, Department of Sociology on 3rd February, and chaired the session on "Marx's Historical Method".

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Dr. Padmini Swaminathan participated in an Asian Workshop — Technological Change and Women-Towards the 21st Century held at New Delhi from 5th to 9th February and presented a paper entitled "Science and Technology *For* Women: A Critique of the Indian Government Documents".

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Dr. Paul P. Appasamy attended a dialogue on "The Waterways in Madras City and Plans for their Environmental Improvement", and served as moderator for one of the sessions. The dialogue was organised by the Joint Action Forum for Madras Waterways at the Institution of Engineers, Madras on 10th February.

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Dr. Charles McMillion of the John Hopkins University gave a seminar in the Institute on "Keeping up with Technological Change : Why Free Markets Matter ?" at 3.20 p.m. on 19th January.

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Dr. D. N. Dhanagare, Professor of Sociology, University of Poona, Pune visited the Institute on 4th February.

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Dr. Dipak Mazumdar of World Bank, Washington visited the Institute on 4th February.

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Leather Industry in Tamil Nadu

ITCOT, Madras

1.0 Leather Industry in India

1.1 Leather industry in India is one of the few export industries of India which has undergone quick changes in response to market impulses and Government proddings.

1.2 Exports of this industry showed stagnation during the late seventies and early eighties, but since 1983-84, the growth has been rapid, even phenomeanl. From a figure of Rs. 4400 million in 1983-84, exports jumped to Rs. 16,000 million in 1988-89 and is firmly set to reach Rs. 20,000 million in the current year

That this spurt has caught even the planners napping is seen from the fact that the Seventh Plan target for 1987-88 was Rs. 7100 million, subsequently revised to Rs. 10,000 million, while the actual target was Rs. 12,500 million.

While exports have grown, the growth of the value added sector within this total has been even greater. This sector which accounted for 39% of total exports in 1984-85, has increased its share to 57% in 1988-89.

As example, leather garments, a high value added product, has jumped from Rs. 95 million exports in 1984-85 to Rs. 1660 million in 1988-89 and is estimated by the Council for Leather Exports to reach Rs. 10,000 million by 1994-95.

Even so, our export mix is out of tune with the rest of the world, which is weighted in favour of consumer leather products as seen below :

Percentages for 1986-87

	Global market	India's exports
Shoes	49	9
Leather goods	18	10
Garments	10	7
Footwear parts	4	26
Leather	19	48

Tables 1 & 2 are illustrative.

2.0 Tamilnadu In Leather Industry

Tamilnadu accounts for close to 60% of the leather tanning capacity in the country and close to 50% of all leather exports from the country.

The reasons why Tamilnadu should regard this as a thrust industry are as follows :

- Tamilnadu has agglomeration benefits in this industry in seven centres in the State and with the entrepreneurial and manpower skill base already built, is better placed to take advantage of the anticipated rapid growth, compared to many other States.
- As export oriented industry, growth is not tied to the sluggish domestic purchasing power, but to the faster growth of changing tasks in the world market and the potential to wrest a larger than the present share of 2% of global imports.
- India's export strengths in the industry are solidly built on this being a labour intensive industry and a dirty and polluting industry which the industrialised countries are happy to shed over a period.

The major leather processing centres in Tamilnadu are located at Madras, Vaniyambadi, Ranipet, Ambur, Dindigul, Pernambut, Erode and Trichy.

The other major centres are Kanpur and Calcutta. Kanpur specialises in buff hides and Calcutta in cow hides, while Tamilnadu processes both hides and skins, with more of the latter.

However, in the labour intensive leather products sector, especially in footwear, Tamilnadu has lagged behind, with other States stealing an early march.

3.0 Capacities and Production

Capacity in this industry - especially in tanning - is somewhat difficult to define, which probably explains the divergent estimate that keep surfacing from time to time. There is no organised deta base for this industry.

The All India Survey of Raw Hides and Skins of 1986 placed the domestic production of hides at 42 million pieces and skins at 110 million pieces, including the village tanning sector. At 60% capacity utilisation, this would place the capacity at 70 million pieces of hides and 180 million pieces of skins, corresponding to 1260 million sq. ft. of skins.

Of this total of 2000 million sq. ft. all India capacity, Tamilnadu probably accounts for 1200 million sq. ft.

An estimate made two years ago by the Council for Leather Exports targets the exports for 2000 AD as follows : all as value added items and no leather :

Considering that the 1988-89 achievement is likely to be of the order of Rs. 20,000 million, this can only be regarded as very modest, yielding an annual growth rate of 10% in value terms, hardly convering inflationary Increase. In physical terms, however, the growth projected is 13%

Products		Target for 2000 AD Qty. (million pairs)	Value (Rs. million)
1. **Footwear**			
Ladies Shoes / Other Footwear		100	10,000
Gents Shoes		50	15,000
Children Shoes		25	2,000
Other Footwears		20	1,000
	Total	195	28,000
2. Leather Garments		2.5	5,000
3. Leather Goods (all types)		100	15,000
4. Shoe Uppers		50	10,000
	Grand Total		58,000

A projection made of the domestic requirement of leather, based on a 5% growth rate and of export requirement based on the above targets, places the leather requirement as follows :-

Million Sq. ft.

	Domestic	Export	Total
Hides	926	486	1412
Skins	192	686	878
			2290

At 70% capacity utilisation, this gives rise to a tanning capacity of 3270 million sq. ft. as required by the turn of the century, if we are to process all the leather required and not import them in the finished condition.

The domestic leather availability at that time would be of the order of 1600 million sq. ft., based on a 1.5% growth on the estimated availability of 42 million hides and 110 million skins in 1986.

It is obvious that some 700 million sq. ft. of hides and skins in the raw condition or semi-processed condition will have to be imported by the year 2000 AD, if the projected exports are to be achieved.

Most of this imported leather is expected to be channeled to Tamil nadu, as the flow of domestic leather to the State is expected to dwindle, with the other States creating their own leather complexes.

If Tamilnadu is to maintain its 60% share of all India tanning capacity, a minimum requirement for gaining share in the products sector, the tanning capacity required by 2000 AD will be 2000 million sq. ft., an increase of 800 million sq. ft. over the present estimated capacity of 1200 million sq. ft.

In the products sector, it was estimated that in 1987-88, the Southern Zone accounted for 40% of export production in leather footwear and components, 55% of garments and 4% of leather goods. If one targets for an improvement of this share, as one should, for say, 55% share in footwear, 60% share in garments and 15% in leather goods, we have the following expectation of the Southern Zone by 2000 A.D.

Footwear & Components	—	135 million pieces
Garments	—	1.5 million pieces
Leather Goods	—	15 million pieces

Southern zone is largely Tamilnadu as far as this industry is concerned. Assuming 10% of footwear and leather goods and 35% of garments — mostly Bangalore — will come from other States, the likely contribution to exports from Tamilnadu will be as follows :

Footwear & Components	—	120 million pieces
Garments	—	1.0 million pieces
Leather Goods	—	13 million pieces

Making an assumption that the existing units in the products sector will double their capacities by 2000 A.D. through normal growth, the additional capacity to be created through new units can be estimated as follows :

million pieces/annum

	Export Production 1988	Production 2000 A.D. by same units	Required Exports by 2000 A.D.	Additional new production needed by 2000 A.D.	Additional new capacity need at 80% utilisation
Footwear	18	36	120	84	105
Garments	0.5	1.0	1.0	—	—
Goods	1.0	2.0	13	11	14

Garment shows nil new capacity, but this is unrealistic. These targets, established half way through the Seventh Plan, would probably be revised soon. For instance, the garments target for 2000 A.D. was placed at Rs. 5000 million, but the latest CLE estimate has it at Rs. 10,000 million by the year 1994-95 itself.

However, even the above projection shows that there is need to multiply

the products sector six times before the turn of the century, not taking into account the growth impelled by the domestic market. This is a priority for Tamilnadu.

4.0 Issues

4.1. There are certain critical issues relating to this industry for Tamilnadu. These are :

— Pollution Control
— Capacity addition
— Modernisation
— Manpower availability

4.2 Pollution Control

4.2.1 This is the most critical issue facing the industry today, especially in Tamilnadu, where a large majority of the tanning units are letting out their effluent untreated. There is no case at all for further growth of this industry in the State unless this issue is effectively tackled.

Tanning effluent is very difficult to treat, and consequently, very expensive. Even in developed countries, the industry does not often shoulder the full cost of treatment : Pre-treated effluent is let into sewers and local bodies undertake to treat them further, alongwith sewage.

Tamilnadu is setting up common effluent treatment plants to serve tannery clusters at Vaniyambadi, Ambur, Pernambut, Dindigul and Tiruchi to start with. The concerned tanners would contribute 20% of the cost and the balance raised as loans from SIPCOT and TIIC and subsidy amounting to 45% from the State and Central Governments. The Tamilnadu Leather Development Corporation would operate these plants.

Social pressures that have built up over a period of time have played their role in bringing about this cooperative approach on the part of the industry and subsidisation of pollution control measures on the part of the Government.

Even so, some forty percent of the tanneries may not get covered by the common plants because of their location and there is urgent need to assist them, as well as coerce than, to relocate, where they can be connected to the common plants.

The State Government needs to work out an attractive incentive package, alongwith the centre and financial institutions, to enable the industry to cope with its pollutants, even as pressure on them is intensified to conform to environmental norms. Should there be a budget constraint, it is even suggested that the special capital subsidy offered to the industry can be reduced to accommodate this essential investment. The boom that the industry is witnessing at present should itself be adequate to attract investment.

4.3 Capacity Addition

4.3.1 The extent of capacity increase required of this industry was already indicated. This is to be regarded as the very minimum requirement, since this is based on targets established by the Council for Leather Exports sometime back, and recent experience has been that all such targets have been exceeded in practice. There are no discernible factors on the horizon that would militate against this trend.

4.3.2 The capacity increase suggested earlier implies a two thirds addition to the tanning capacity and multiplication

of the product fabrication capacity several fold.

4.3.3 What could be the State's role in encouraging this capacity addition ?

4.3.4 The State has already taken an important step in announcing a special capital subsidy of 20% on fixed assets subject to a maximum of Rs. 20 lakhs for leather indstries set up anywhere in Tamilnadu. Another needed incentive is, as stated earlier, a well thought out and attractive incentive scheme to enable units set up their own pollution control facilities or relocate to other areas where common facilities are available.

4.3.5 The State Government has also taken the step to create an industrial estate in North Arcot District mainly intended for product fabricators but including provision for tanners also. Apart from the normal infrastructure, this industrial estate could also provide the following specialised infrastructure needed by the industry :

- Design and development centre
- Training centre
- Material banks
- Testing & inspection centre
- Common production centre
- Maintenance workshop
- Marketing organisation with common product display centre
- Conference room
- Guest House
- Captive power plant
- Related Government Offices.

4.3.6 Many of these facilities cannot be afforded by the small units unless centrally offered in this manner.

4.3.7 Apart from this estate currently contemplated for North Arcot another Estate for tanneries needs to be planned now itself to achieve the anticipated tanning needs for the year 2000. To suggest that we create capacity for only products and let other States treat the leather is not a viable option, as close-ordination between leather finishing and product fabrication — and unit level integration of the two — will be the order of the day for future development of the export industry geared to meet the changing fashions of the international market.

4.3.8 It is suggested that such an Estate is created on the sea coast, not too far from Madras, to reduce the pollution treatment costs, even as South Korea has done.

4.3.9 The aim should be to provide adequate Industrial Estate facilities for about 40% of the anticipated growth in products fabrication and 100% of the anticipated growth in tanning and finishing.

4.3.10 There are certain problems associated with creating modern integrated units in this industry because of SSI reservation. Many of the so called small scale industries operating in this field are not really that small, and in actual operation, there is no big difference in terms of labour intensity or other factors between these units and the DGTD units; in fact several of the SSIs are being operated by the big industrialists in this field.

4.3.11 In the light of this, it may be appropriate for the State to take up with the centre to relax certain norms, with a view to establishing a modern sector in this industry. This is all the

more necessary for the future, as Tamilnadu will have to contend with imported leather. The economics of handling imported hides and skins disfavours smallness of size.

4.3.12 However, there is really a very small sector in this industry which should not be ignored. These are the village level leather working artisans who have gradually become deskilled and are swelling the ranks of rural unemployed with the rural areas becoming rdeuced to merely suppliers of raw hides with no value addition benefits or employment generation there. This is obviously because of the inability of artisans to sufficiently raise productivity to effectively compete with the organised industrial sector.

4.3.13 This is really a pity as such decentralised primary processing of raw hides would drastically reduce pollution loads in urban centres and substitute it with smaller and more easily handled loads in rural areas.

4.3.14 However, some recent experiments conducted by a Department of Science and Technology supported project at Mandi (Himachal Pradesh), Dehradun (U. P.) and Kavali (A.P.) shows that a self-sustaining economical production in the rural sector is possible. Under this arrangement all basic pretanning will be done in the rural area itself using technololy developed by CLRI and the urban industrial units will receive semi-finished leather as raw material for further finishing operations. Annexure 1 shows the existing structure of leather flow in India and the revised if such decentralised primary tanning is undertaken the advantages thereof and typical average figures of cost economics of the experimental units.

4.3.15 Another major advantage of this arrangement will be that such units would also ensure a fuller utilisation of the potentially available hides. It has been noted that due to the very low returns to the flayers and the odium attached to the job in several villages, hides do not get collected

4.3.16 It would therefore be worthwhile for the State Government to study this experimental scheme in-depth and if found workable, entrust a suitable agency such as the KVIC in Tamilnadu to widely replicate the model.

4.4. Modernisation

4.4.1 The need for modernisation of any industry is self evident, more so, for an industry addressing the world market. Equally evident is the very backward state of several leather units in the State, especially the small tanneries.

In spite of this, and in spite of making available modernisation loans at lower interests, very little of modernisation activity is to be seen. Could it be that our small leather industrialists are unaware and do not see the writing on the wall? It is not really so.

The leather industrialists, like entrepreneurs everywhere else, are hardnosed people who will not hesitate to invest if they see money in it. If, by addressing the lower end of the export market, they make adequate profits without the need for a heavy modernisation dose, that is the course they will take. In other words, all modernisation must be market driven and one need not be despondent that the pace is not fast enough. The market will take care of it in due course.

It is, however, necessary, to make available adequate support to the small industrialists who find themselves obliged to change to suit the market. An important area in this is technology and consultancy support.

The State can play a vital role here by sponsoring demonstration projects with selected units and subsidising technical and consultancy assistance to industry by agencies such as the CLRI and ITCOT. It is a tremendous advantage to the State that CLRI, a national institution is located within the State and is easily accessible to the small entrepreneurs. This advantage needs to be turned to good account by enabling the industry use its services in areas such as energy conservation, cleaner processing techniques, chemicals saving and such other.

Subsidisation of consultancy assistance figures as an important small industry support measure in many countries, including industrially developed countries.

Another aspect of modernisation is that, it is scale related for certain levels of quality. This leaves behind the very small job working tanners who may ultimately get squeezed out, in the longer term.

4.5 Manpower

The industry in Tamilnadu is already witnessing a shortage of skilled manpower in all areas, more particularly, in the products category. This shortage will increase further and could even severely hamper growth in the coming years unless adequate steps are taken to deal with this.

This is legitimately an area where the State needs to take an initiative. Separate training needs exist for production managers, supervisors, machine operators, maintenance personnel and designers and pattern makers. The State can take stock of the existing facilities with CLRI, SISI, NSIC, etc. and draw up a plan to augment the training facilities. It would be advisable to involve the leather industry associations in this effort and in the creation and running of any additional facility.

In addition to meeting the training needs for new personnel, training also needs to be organised for upgradation of skills of existing operating personnel. This is important for achieving quality upgradation and modernisation. A suitably designed training programme for the small entrepreneurs themselves and their chief executives will pay rich dividends. Such training could be subsidised by the State, to induce participation from industry.

Another innovative scheme that can be considered is to subsidise the employment of qualified leather technologists, especially for the small tanneries that do not have them. The subsidy could be of the order of 75% of the salary in the first year, 50% in the second year and 25% in the third.

5.0 Conclusion

Leather industry growth in India has been exceeding all targets. Further such growth is indicated.

Tamilnadu has several strengths to take full advantage of this boom. The State Government has a role to play in this. The key areas are :

— To actively pressure the industry as well as assist it with subsidies and

common facilities to change its image of a polluting industry.

- To provide industrial area development and common facilities for further capacity in leather processing and products manufacture.
- To provide subsidised assistance and consultancy services to help the industry modernise.
- To assist industry associations in augmenting availability of skilled manpower through subsidised training.

To take for Tamilnadu a decent share of the currently established Council for Leather Exports targets for 2000 A. D. — which is likely to be reached well before that year — the State will have to increase its leather processing capacity by two thirds and multiply its products capacity six fold.

TABLE 1

Export Targets & Achievements 1985-89

(Value in Million Rs.)

Sl. No.	Product	1985-86		1986-87		1987-88		1988-89	
		Targets	Achievements	Targets	Achievements	Targets	Achievements	Targets	Achievements
1.	Semi Finished Leathers	600.0	490.7	600.0	520.0	500.0	725.9	—	450
2.	Finished Leather	2200.0	2882.0	2450.0	4008.9	3500.0	4859.7	4800	6498.8
3.	Leather Footwear	350.0	330.3	550.0	803.8	1290.0	1280.3	1850	1301.7
4.	Footwear Components	2100.0	1903 5	1800.0	2406.9	2980.0	3238.8	3850	4256.3
5.	Leather Garments	800.0	167.2	1000.0	622.7	800.0		1500	1661.5
	Leather Goods		851.4	1100.0	944.1	1000.0	2344.4	2000	1753.2
	Total	6050.0	6625.1	6500.0	9307.7	10070.0	12448.6	14000	16083.7

TABLE 2

Exports of Leather and Leather Products

(Rs. million)

Year	Semifinished E.I. & Chrome tanned Leather	Finished Leather	Leather Goods	Total
1974-75	111 (66.4)	31 (18.6)	25 (15.0)	167 (100.0)
1975-76	144 (62.6)	55 (23.9)	31 (13.5)	230 (100.0)
1976-77	150 (49.5)	105 (34.7)	48 (15.8)	303 (100 0)
1977-78	121 (42 3)	108 (37.8)	57 (19.9)	286 (100.0)
1978-79	112 (29.6)	193 (51.0)	73 (19.4)	378 (100 0)
1979-80	113 (20.7)	322 (59.0)	111 (20.3)	546 (100.0)
1980-81	52 (12.9)	227 (56.3)	124 (30.8)	403 (100.0)
1981-82	54 (12.4)	226 (51.7)	157 (35.9)	437 (100.0)
1982-83	54 (13.5)	200 (50.0)	146 (36.5)	400 (100.0)
1983-84	53 (12.1)	196 (45.0)	187 (42.9)	436 (100.0)
1984-85	49 (8.4)	309 (52.9)	226 (38.7)	584 (100.0)
1985-86	49 (7.3)	298 (44.4)	325 (48.3)	672 (100.0)
1986-87	53 (5.7)	401 (43.1)	477 (52.2)	931 (100.0)
1987-88	73 (5.8)	486 (39.0)	686 (55.1)	1245 (100.0)
1988-89(P)	45 (2.8)	650 (40.4)	913 (56.8)	1608 (100.0)

Note : (P) Provisional

Figures in bracket are percentage to total.

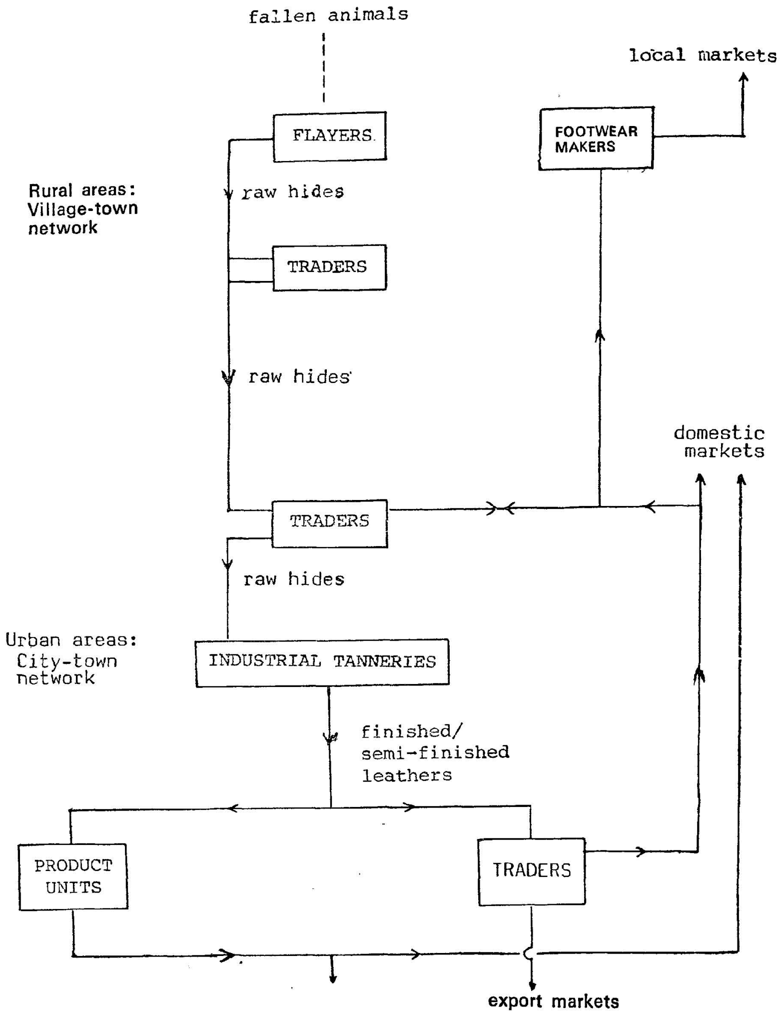
TABLE 3

India's Export Performance 1988-89

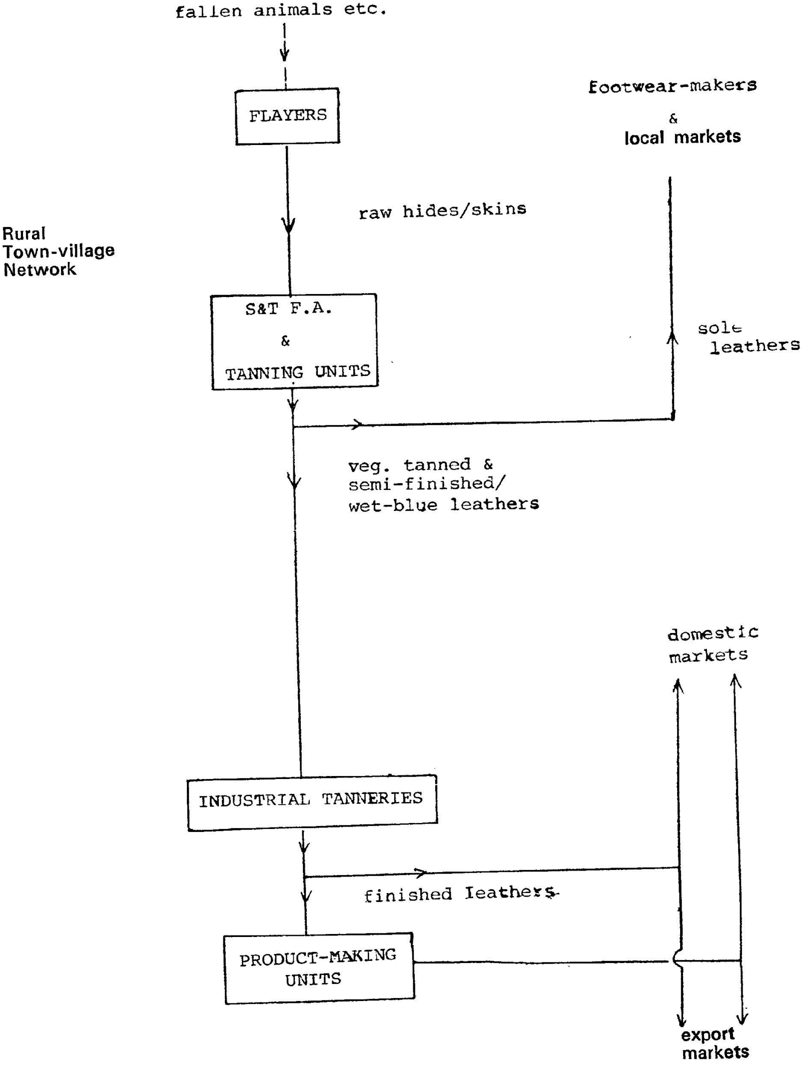
(In Million Rupees)

Year	Semi Finished	Finished Leather	Foot-wear		Footwear Components	Leather Garments		Leather Goods	Total
1972-73	1531.50	165.60		83.90			83.10		1864.10
1973-74	1473.10	167.80		112.80			104.20		1858.90
1974-75	1013.00	314.40		174.50			152.20		1654.60
1975-76	1344.50	547.20		201.60			187.70		2279.80
1976-77	1504.30	1035.90		345.90			178.50		3064.60
1977-78	1207.10	1076.80	193.56		150.94		126.00		2575.10
1978-79	1072.10	1920.10	229.29		178.34		179.70		3298.00
1979-80	885.40	3210.90	294.20		373.69		222.50		4244.40
1980-81	565.90	2267.90	337.52		450.68		297.50		3288.40
1981-82	568.90	2231.22	215.96		703.91	60.78		368.66	4149.42
1982-83	344.10	1999.04	195.84		793.05	74.32		387.47	3993.88
1983-84	533.40	1955.83	234.84		1135.64	103.37		433.26	4396.32
1984-85	491.60	3085.28	267.73		1327.85	94.60		570.55	5837.57
1985-86	490.80	2881.95	330.31		1903.52	167.22		851.42	6625.14
1986-87	525.08	4008.94	803.83		2406.92	622.60		940.40	9307.80
1987-88	725.90	4059.70	1280.30		3238.30	1057.20		1145.70	12448.60
1988-89	450.00	6498.80	1301.70		4256.30	1661.50		1753.20	16083.70
(Estimates)		6600.00							
1989-90			2400.00		5600.00	2400.00		3000.00	20000.00
(Anticipated)									

EXISTING STRUCTURE OF LEATHER INDUSTRY IN INDIA



ENVISAGED RESTRUCTURED LEATHER INDUSTRY



Benefits of Restructuring : Decentralized Leather Tanning

Generation of Rural Employment / income & Value-addition	* Decentralized tanning would generate new occupations ; * Flayers obtain higher incomes due to elimination of middle-men ; * Footwear-makers etc. in local markets benefit from local supply of sole etc. leathers. * Local value-addition generates overall benefits.
S & T base In Rural areas	* Rural industrialization ; * Human-resource development in technical /managerial skills ; * Potential for horizontal and vertical linkages
Quality semi - Finished Leathers for Industry	* All basic pre-tanning done in rural areas itself ; * Industrial units receive semi-finished leather as raw material for finish operations ; * Better quality control ; * Streamlines leather production ;
Savings in Trade - Margins & Transport overheads	* Elimination of middle-men at various stages substantially reduces trade-margins ; * Unnecessary transportation of raw hides from villages, and sole leathers from industrial tanneries to local markets eliminated.
Low & Decentralized Pollution loads	* Simple small effluent-control systems feasible and cost-effective with decentralized rural tanning ; * Low loads given small scale ; * Substantially reduces loads in urban areas.

Typical Average Figures

Area covered by each Nodal unit	: 16-20 km. radius
No. of villages covered	: 75-100
Population	: 2 lakh
No. of hides from fallen animals per year	: 4000
Full-time occupations generated : Tanners	: 10
Technical / supervisory / managerial	: 2
Part-time occupations networked i.e. Flayers (obtaining higher prices)	: 70 to 100
Annual Turnover	: Rs. 10.0 lakhs
Wage component	: Rs. 1.2 lakhs
Raw hide costs (to flayers)	: Rs. 4.2 lakhs
Income benefits to flayers) (due elimination of middle-men)	: Rs. 1.5 lakhs
Quality of tanned leathers	: Good (CLRI process)
S. P. of veg-tanned sole leathers	: Rs. 25-28/kg.

Some Stray Thoughts of Indian Dairy Development for the 90s*

Dairy planning and development in the 90s must be based on fairly comprehensive and precise data on the quantum of our a) milch cattle b) milk production, c) milk procurement, d) per capita milk consumption in urban areas and by decile of population, and e) fodder available and in use. It is on the basis of each of these five quantities that the plan and development of the dairy industry for the next decade can be undertaken. Such data does not exist now.

Data base

Alongside of programmes to increase the quantum in each of the above areas, there should be simultaneous efforts to build a data base for the industry — not by using all India guestimates and correlates, but using the more laborious process of building data from the block and district. Here the existing District Rural Development Agency (DRDA), the district Plans beings developed for the VIII Plan, and the computer network being installed in districts and state capitals should be used, so that atleast in the Ninth Plan, the sub Plan for dairy industry, might be based on a little more firm foundation.

At this stage, with limited information available, some hints for the first half of the nineties, which coincides with the Eighth Plan are thrown out, with the hope that the data base will have been built up to allow for a more coherent and realistic dairy sub plan in the Ninth Plan.

Milch cattle

In regard to milch cattle, one issue that should be faced is the need to end the controversy between extending the programme of cross breeding as against improving indigenous livestock and buffaloes. This is a wasteful controversy because there is no either or in this matter. Both cross breeding and indigenous livestock improvement

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* Abstracts of the article by Dr. Malcolm S. Adiseshiah for the Dairy India Year Book, New Delhi, April 29, 1988.

are needed to increase milk production. This issue should not be confused with the programme of artificial insemination which should be part of both efforts and this programme needs to be rapidly expanded and is one area where additional investments can and should be attracted. Every state needs to adopt a veterinary and livestock policy before the start of the nineties and one of the elements in this policy should be a call for increased investment for the programme of artificial insemination along with animal health care which should be available at the farmers, door step.

Milk Production

On the second element, milk production, there are several issues which need to be clarified before the nineties. One is the relation between the estimates of milk production and those of silk procurement. Milk production for 1985-86 is estimated at 39.80 million tonnes and milk procurement at 65.95 lakh litres a day. For 1986-87 the milk production estimate is 42 million tonnes and procurement is 70 5 lakh litres. The 1987-88 production is placed at 48 million tonnes and procurement at 75 lakh litres a day. These figures based on official data reported by state governments are some what suspect, as they contain an element of over estimation. When and if data collection machinery is established at the level of districts and blocks, the states returns will become reliable. An even more serious issue, even so, is that the procurement reported is about 11 per cent of the total milk produced. If this is so, there is need to design means of capturing the production of individuals and families particularly in the rural areas. In this context, the development of about 50,000 dairy cooperatives bringing 9.62 milch animals under its fold should be noted. The Anand pattern is one sound and well tried design, which is spreading in appropriate settings. There is need for rural and semi-urban areas to design other designs which will act as effective catchment areas. The proposal to cover 173 milk sheds by the end of the Seventh Plan is important. This could also be the means of capturing the production flow of nearly 90 per cent of actual production about which little seems to be known today.

Milk Procurement

Such scant data on milk procurement as is available along with empirical studies show that villages which are on the map of milk production and procurement are also villages which enjoy higher per capita incomes, with families with higher food intake. The study in Maharashtra, Karnataka and Andhra Pradesh of 5 control villages with no dairy development programmes and with no IRDP schemes, along side of 5 villages which had such milk production and procurements programmes shows that : 1) households of villages with dairy development programmes consumed milk, eggs, meat, fish and proteins and calories generally at a higher level than the control village families : 2) landless and marginal farmers engaged in dairy development improved their incomes and food intakes, while there was no such effect on small and large farmer families as a result of their milk production activities : 3) during lean months, dairy development reduces variability in food availability for landless labourers, providing them with a much needed cushion when agricultural

employment is low : 4) major determinants of farmer's income are a) size of the irrigated farm and b) the number of non descript buffaloes. In these villages, milk production and procurement were seen as substitutes for low land production, as non descript cows replaced non descript buffaloes as a means of increasing incomes. Also assistance needs to be given to farmers in remote areas, where procurement of milk is handicapped, so that they can convert their milk into curds, khoa, paneer etc. which can be transported.

Fodder

The fourth related issue is that dairy development, in some areas where it has not been foreseen, leads to fodder shortage. In a situation, where the pressure of cattle population is reducing the availability of grazing land and pasturage, dairy development must go hand in hand with development of pasture land. There are grasses and legumes which are quick and luxious which can be sown in all fallow land as one means of feeding the cattle population the 3 species of stylosanthes used in grass land development and the fodder minikit programme need to be further decentralised to the panchayat and block level. In this context note should be taken of the export of concentrated residues from the country to EEC countries, which enables these countries to produce milk way beyond their consumption needs, and to export milk powder and products to India. One way to increase cattle feed in India is to stop the export of the concentrated residues out of the country, and raise their domestic price so that they do not need to be exported.

Per capita milk consumption

There is one more issue that needs to be faced before the start of the nineties and that is the per capita milk consumption in the country. ICMR has set the minimum target of 220 gms of milk consumption per capita per day. The availability on the basis of, not very reliable figures and not allowing for the rapid population expansion, is 160 gms per capita. These overall figures hide the fact that in rural areas the per capita consumption is less than 150 gms, and in the two lowest deciles of rural population is nearly nil, as the family expenditure surveys of CSO show. There is a need to increase milk consumption in the rural areas, or in the alternative to help develop a procurement and distribution system which will place adequate resources in the hands of the rural family so that they can purchase/grow adequate cereals, vegetables, pulses and edible oils. At the moment there is a movement of milk from rural to urban areas which may be justified, if it places sufficient funds in the hands of the cow or buffaloe owning families to purchase adequate food, calories and proteins. A raising of milk consumption in the rural areas, needs not simply increase investment in dairy development (that is certainly needed) ; but even more a reduction in the high incidence of poverty and inequality in assets distribution which forces the majority of rural families to live at the margin of subsistance.

Publications of the Institute consist of the following categories

1. **Publications brought out by Messers Sangam* Publishers :** These consist of a series of monographs mainly relating to Rural Development of Tamilnadu brought out between 1972 & 1980. Detailed list including prices available on request from the Programme Coordinator of MIDS. Orders may be placed with Sangam publishers, 11, Sunkurama Chetty Street, Madras - 600 001 for these.

2. **Cyclostyled Publications :** These consist of Working Papers, Digest Series, Data Series, Popular Series, Interns Reports and Offprint Series brought out since 1978. Detailed list available on request from the Programme Coordinator of MIDS.

3. **Occasional Publications of the Institute include :**

a) *A Manual of Sources of Data on Tamil Nadu Economy* (1979) published by MIDS pp. 92, priced at Rs. 10/- per copy and Rs. 6/- for bonafide research scholars.

b) *Area Studies Bibliography Tamil Nadu* (1984) published by MIDS pp. 226 Rs. 30/- for paper cover & Rs. 40/- bound volume.

c) Social Science Research in South Indian Universities — A Listing and Review of Ph.D. Dissertations (1989) Published by MIDS and ICSSR, SRC. pp. 260, Rs. 20/-

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printed at reliance printers, 9, sardar patel road, madras-600 020.